United Nations A/67/353

General Assembly

Distr.: General
31 August 2012

Original: English

Sixty-seventh session
Item 19 of the provisional agenda*
Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference

Modalities of the financing for development follow-up process

Report of the Secretary-General

Summary

The present report, which is submitted in response to General Assembly resolution 65/145, provides elements for an assessment of the existing modalities of the financing for development follow-up process and, on that basis, enables exploration of detailed options regarding possible arrangements for strengthening the process. In the report, key intergovernmental mandates regarding the financing for development follow-up process are summarized and the evolution of the institutional modalities of the process, along with those of related intergovernmental processes, are described. Three options for strengthening the financing for development follow-up process are discussed in detail, namely: (a) the continued incremental evolution of existing modalities; (b) the creation of a new intergovernmental body; and (c) ensuring coordination and coherence with the intergovernmental process on sustainable development financing. The report contains a number of conclusions that Member States may wish to consider.

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I. Introduction

1. In its resolution 65/145 the General Assembly noted with appreciation the efforts already taken to strengthen the financing for development follow-up process and acknowledged that the modalities of that process should be reviewed, as appropriate. The Assembly requested the Secretary-General to submit in August 2012 a report providing elements for an assessment of the existing modalities of the financing for development follow-up process and, on that basis, exploring detailed options regarding possible arrangements for strengthening the process, taking into account the views and proposals of Member States and all relevant stakeholders and the need to ensure the coherence of United Nations processes in the field of financing for development. The present report has been prepared in response to that request.

II. Background

2. The outcome documents of the two landmark international conferences on financing for development, held in 2002 and 2008, provided the major mandates for the substantive and institutional framework of the financing for development follow-up process. The International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, resulted in the adoption of the Monterrey Consensus.[1] The Consensus embraces six thematic areas on "leading actions" of financing for development, namely: (a) mobilizing domestic financial resources for development; (b) mobilizing international resources for development: foreign direct investment and other private flows; (c) international trade as an engine for development; (d) increasing international financial and technical cooperation for development; (e) external debt; and (f) addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. The concluding chapter, entitled "Staying engaged", contains the commitment of global leaders to keeping fully engaged, nationally, regionally and internationally, to ensuring proper follow-up to the implementation of agreements and commitments reached at Monterrey and to continuing to build bridges between development, finance and trade organizations and initiatives, within the holistic agenda of the Conference.[2]

3. In that final chapter of the Monterrey Consensus there are general parameters and specific modalities for follow-up to the Conference. The United Nations was assigned the leading role in the follow-up process, with the participation of, and in collaboration with, all relevant stakeholders. In contrast to other United Nations conferences and summits in the economic, social and related fields, the Monterrey Conference did not establish a new intergovernmental mechanism; rather it was decided at that Conference to strengthen and make fuller use of the General Assembly and the Economic and Social Council, as well as the relevant intergovernmental/governing bodies of other institutional stakeholders, for the purposes of conference follow-up and coordination. In that context, a series of

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] Ibid., para. 68.

interconnected elements were identified that are related to: (a) interactions between representatives of the Council and the directors of the executive boards of the World Bank and the International Monetary Fund (IMF), as well as representatives of the appropriate intergovernmental body of the World Trade Organization (WTO); (b) the annual spring meeting of the Council with the Bretton Woods institutions and WTO; (c) the biennial High-level Dialogue of the General Assembly on Financing for Development and related issues; and (d) modalities to enable participation of all relevant stakeholders, including civil society and the private sector.[3] The document further called for the convening of a follow-up international conference to review the implementation of the Monterrey Consensus.[4]

4. The Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus was held in Doha from 29 November to 2 December 2008. The Conference adopted the Doha Declaration on Financing for Development, which was endorsed subsequently by the General Assembly in its resolution 63/239. In the Declaration previous commitments were reaffirmed and new pledges put forward under the six thematic areas of the Monterrey Consensus, and a new section on "Other new challenges and emerging issues" was added. In terms of the follow-up process, the outcome document contained four key messages that recognize the following: (a) the need to further intensify the engagement of all stakeholders, including the United Nations system, the World Bank, IMF and WTO; (b) the need for a strengthened and more effective intergovernmental inclusive process to carry out the financing for development follow-up; (c) the decision to hold a United Nations conference at the highest level on the global financial and economic crisis and its impact on development; and (d) the decision to consider the need to hold by 2013 a follow-up conference on financing for development.

5. The United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development was held in New York from 24 to 30 June 2009. The outcome document, adopted at the Conference and endorsed by the General Assembly in its resolution 63/303, set forth a global consensus on the causes, impacts and responses to the crisis; prioritized the lines of prompt, decisive and coordinated actions; and defined a clear role for the United Nations. In the section entitled "The way forward", the General Assembly and the Economic and Social Council were entrusted with a range of mandates to follow up on the outcome of the Conference. In particular, the Assembly was invited to establish an ad hoc open-ended working group to follow up on the issues contained in the outcome document. The Council was requested, inter alia, to make recommendations to the Assembly regarding: (a) a strengthened and more effective and inclusive intergovernmental process to carry out the financing for development follow-up; and (b) the possible establishment of an ad hoc panel of experts on the global economic and financial crisis and its impact on development (General Assembly resolution 63/303, paras. 54 and 56 (b) and (e)).

[3] Ibid., para. 69.

[4] Ibid., para. 73.

III. Salient features of existing institutional modalities

6. A distinctive feature of the financing for development process is its inclusive nature. The active engagement of a broad range of stakeholders from the public and private sectors is a key factor. The United Nations system, the Bretton Woods institutions and WTO have a special role to play as the major institutional stakeholders. The modalities of their participation in the process, at both the intergovernmental and staff levels, go beyond the normal practice of the General Assembly and the Economic and Social Council.

A. General Assembly

High-level Dialogue on Financing for Development

7. By its resolution 57/250, the General Assembly decided to reconstitute its High-level Dialogue on Strengthening International Cooperation for Development through partnership as the High-level Dialogue on Financing for Development so that it would become the intergovernmental focal point for the general follow-up to the Monterrey Conference and related issues. The Assembly stressed that the High-level Dialogue should contribute to promoting policy coherence among development, finance and monetary and trade organizations within the framework of the holistic agenda of the Conference with respect to eradicating poverty and achieving sustained economic growth and sustainable development and an equitable global economic system. The Assembly also decided that the High-level Dialogue would be held biennially at the ministerial level.

8. To date, the General Assembly has held High-level Dialogues on Financing for Development in 2003, 2005, 2007, 2010 and 2011 at United Nations Headquarters in New York. The overall theme of the High-level Dialogues in 2003, 2005 and 2007 was "The Monterrey Consensus: status of implementation and tasks ahead". Following the 2008 Doha Review Conference, the theme of the High-level Dialogues in 2010 and 2011 was reformulated as "The Monterrey Consensus and Doha Declaration on Financing for Development: status of implementation and tasks ahead". Participants at those meetings included ministers, vice-ministers and other high-level Government officials, as well as senior representatives from the major institutional stakeholders (the World Bank, IMF, WTO, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP)), other international organizations and observers from non-institutional stakeholders (civil society and the business sector).

9. The format of the High-level Dialogues included a combination of plenary meetings, interactive multi-stakeholder round tables and an informal interactive dialogue. Based on the Monterrey modalities, the heads of the Bretton Woods institutions, WTO, UNCTAD and UNDP were invited to speak at the opening plenary meeting, following statements by the President of the General Assembly and the Secretary-General. Other officials from the major institutional stakeholders were invited to co-chair round tables. The High-level Dialogues of 2003, 2005 and 2007 were also preceded by informal hearings with representatives of civil society and the business sector.

10. Substantive topics of the multi-stakeholder round tables tended to follow closely the chapter titles of the Monterrey Consensus and the Doha Declaration.

However, there were some variations. For instance, in the first High-level Dialogue in 2003, the round-table themes were "Regional dimensions of the implementation of the results of the International Conference on Financing for Development" and "The link between the progress in the implementation of the agreements and commitments reached at the International Conference on Financing for Development and the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration". Efforts have recently been made to reduce the number of round tables and to focus them on topical issues under the financing for development agenda. Thus, in 2010 and 2011, round-table discussions were focused on: (a) the reform of the international monetary and financial system and its implications for development; (b) the impact of the world financial and economic crisis on foreign direct investment and other private flows, external debt and international trade; and (c) the role of financial and technical cooperation, including innovative sources of development finance, in leveraging the mobilization of domestic and international financial resources for development.

11. Each High-level Dialogue consisted of an informal interactive dialogue, comprising a policy discussion with the participation of all stakeholders in the financing for development process. In 2003, the title of the informal interactive dialogue was "Monterrey Consensus: status of implementation and tasks ahead". Since 2005, the discussion has focused on the link between financing for development and achieving the internationally agreed development goals, including the Millennium Development Goals. The outcome of each High-level Dialogue was a summary by the President of the General Assembly, which was issued as a document of the Assembly.

Second Committee

12. Following the Monterrey Conference, the Second Committee of the General Assembly considered a separate agenda item on financing for development, entitled (since 2009), "Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference". In addition, selected topics from the financing for development agenda, such as international trade and development, international financial system and development and external debt sustainability and development, were included under the agenda item entitled "Macroeconomic policy questions".

13. In recent years, as part of its deliberations on the financing for development agenda item, the Second Committee has held panel discussions on financing for development-related topics, such as the impact of the financial crisis on employment, migration, trade and debt (2009), revitalizing the international financial system (2009) and donor accountability in increasing international financial and technical cooperation for development (2011). As a result, the annual consensus-based General Assembly resolution on financing for development (General Assembly resolutions 59/225, 60/188, 61/191, 62/187, 63/239, 64/194, 65/145, 66/191) usually contained a strong substantive component. However, those resolutions also contained provisions aimed at strengthening the institutional dimension of the financing for development process.

14. More recently the General Assembly has taken special interest in the issue of innovative financing for development. Following an informal event on innovative

sources of development financing that was convened in 2010, the General Assembly in 2011 held a separate meeting of the Second Committee that was focused on innovative mechanisms of financing for development, under the financing for development agenda item.

B. Economic and Social Council

Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

15. The Monterrey Conference called for assigning to the spring meeting of the Council and the Bretton Woods institutions a special role in maintaining the momentum for the implementation of the outcome of that Conference. Pursuant to paragraphs 69 (a) and (b) of the Monterrey Consensus, the meeting should include an intergovernmental segment with the participation of representatives of WTO, to address an agenda agreed by the participating organizations, as well as a dialogue with civil society and the private sector. The Council, in its resolution 2003/47, decided to invite representatives of the UNCTAD Trade and Development Board to participate in future such meetings.

16. The Monterrey Consensus placed the issues of coherence, coordination and cooperation related to the follow-up to the Conference at the centre of the annual spring meeting. The preparations for the meeting involved extensive consultations within the Council and its Bureau with executive directors from the World Bank and IMF, members of the UNCTAD Trade and Development Board and the Governing Council of WTO, as well as with the management of the participating institutions. The purpose of those consultations was to discuss substantive focus, appropriate format and innovative modalities, with a view to ensuring high-level participation and enhancing the impact of the meeting. The outcome of each meeting was a summary by the President of the Economic and Social Council which was issued as a document of the General Assembly and the Council. In recent years, the President of the Council has been invited to participate in the meetings of the joint World Bank/IMF Development Committee to present the outcome of the meeting and related activities of the Council.

17. From 2003 to 2008, the meeting constituted a one-day event in April, immediately following the annual meetings of the Bretton Woods institutions, comprising morning and afternoon plenary sessions and a series of parallel multi-stakeholder round tables. The overall theme generally focused on the issue of coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and related outcomes. The topics of the multi-stakeholder round tables were derived largely from issues contained in the Monterrey Consensus, as well as new challenges and emerging issues, such as supporting the development efforts of middle-income developing countries (2006 and 2008), aid effectiveness and innovative finance (2007 and 2008) and the financing of climate change mitigation and adaptation. In a further innovation, the meeting in 2009 was organized around two thematic debates of the whole on: (a) addressing the impact of the global financial and economic crisis, including issues related to the international financial and monetary architecture and global governance structures; and (b) strengthening the intergovernmental inclusive process to carry out the financing

for development follow-up. The meetings in 2003 and 2004 were preceded by informal hearings of representatives of civil society and the business sector.

18. In response to paragraph 89 of the Doha Declaration, the Economic and Social Council, in its resolution 2009/30, recommended to the General Assembly a set of modalities for a strengthened and more effective intergovernmental process for carrying out the financing for development follow-up. In particular, it was recommended that the special high-level meeting of the Council with the international financial and trade institutions could last for up to two days and should be timed to be held at least five weeks before the spring meetings of the Bretton Woods institutions, in order to meet the needs of all parties and be conducive to high-level participation.

19. In its resolution 2012/31, the Council stressed the need to further improve the dialogue between Member States and representatives of the Bretton Woods institutions, WTO and UNCTAD during the special high-level meeting of the Council. In that connection, it requested the President of the Council, in close consultation with Member States, to continue close cooperation and dialogue with the relevant organizations and stakeholders on all the elements of the preparations for the special high-level meeting, in particular the date and agenda of the meeting of the following year, in order to seek a more interactive, dynamic and substantive discussion on key issues related to the financing for development framework.

Substantive session of the Economic and Social Council

20. Subsequent to the Monterrey Conference, there was also consideration of an agenda item on financing for development in the substantive session of the Economic and Social Council held in July every year. The discussions of the financing for development item have concluded with resolutions on financing for development being adopted, focusing mostly on the institutional aspects of the process. Particularly significant in that regard was Council resolution 2009/30, which as previously mentioned, led to a change in the timing and format of the special high-level meeting of the Council with the Bretton Woods institutions, WTO and UNCTAD. In the same resolution it was also recommended that greater prominence should be given to the agenda item on financing for development in the work of the annual substantive session of the Council.

21. As a result, from 2010 the coordination segment of the annual substantive session of the Council devoted more time to consideration of the agenda item entitled "Follow-up to the International Conference on Financing for Development". For example, the work of the coordination segment on financing for development included panel discussions on "South-South cooperation and financing for development: investment, trade and technology transfer" and "Global economic governance" (2010), "Global economic governance and development: enhancing the coherence and consistency of the international monetary, financial and trading systems" and "Building on Istanbul: financial support for development efforts of least developed countries, including through South-South and triangular cooperation" (2011) and "Innovative mechanisms of financing for development" (2012).

C. Multi-stakeholder consultations on financing for development

22. Pursuant to General Assembly resolution 58/230, the Financing for Development Office of the Department of Economic and Social Affairs of the Secretariat organized a series of multi-stakeholder consultations to examine issues related to the mobilization of resources for financing development and to promote best practices and exchange information on the implementation of the commitments made and agreements reached at the Monterrey Conference.

23. That Office, in consultation with major institutional and non-institutional stakeholders, identified policy issues covered in the Monterrey Consensus and the Doha Declaration, on which informal and expert-level discussions among multiple stakeholders could facilitate policy debates at international forums. Those issues were discussed in a series of consultations, which were held in different regions to properly take into account regional challenges and perspectives (A/60/289/Add.1). The consultations were technical rather than political meetings, addressing substantive aspects in order to mobilize the political will required to take an agreed course of action. The topics of the consultations included: external debt of developing countries (2007-present); regional cooperation on financing for development (2010-2011); rethinking the role of national development banks (2005-2007); building an inclusive financial sector for development (2004-2005); and sovereign debt for sustained development (2004-2005).

24. Several of the consultations were undertaken in partnership with institutions and organizations within the United Nations system, such as the United Nations Capital Development Fund and UNCTAD, as well as civil society and business sector organizations. Examples of consultations undertaken in cooperation with civil society organizations include those on financing basic utilities for all (2006-2007, with the Friedrich Ebert Foundation) and systemic issues (2004-2005, with the New Rules for Global Finance Coalition). Examples of consultations undertaken with business sector entities include those on strengthening the business sector and entrepreneurship in developing countries (2006-2007, with the Indus Entrepreneurs); public-private partnerships for improving the effectiveness of development assistance (2004-2005, with the World Economic Forum); and improving the climate for private investment (2004-2005, with the World Economic Forum).

25. Participants in those consultations have included Government representatives (from both developing and developed countries), officials from multilateral organizations, academic experts and representatives from civil society and the business sector having the relevant technical expertise and experience. Some of the meetings have been financed by Member States that contributed generously to the financing for development trust fund. Further details and substantive reports on all the meetings may be obtained from the website of the Financing for Development Office (www.un.org/esa/ffd/msc/).

D. Secretariat support

26. At the Monterrey Conference the Secretary-General was requested to provide — with collaboration from the secretariats of the major institutional stakeholders — sustained follow-up within the United Nations system to the

agreements and commitments reached at the Conference and to ensure effective secretariat support. The General Assembly in its resolution 57/273 requested the Secretary-General to submit a report on those follow-up efforts. The Secretary-General prepares, in consultation with the staff of the Bretton Woods institutions, WTO, UNCTAD and UNDP, an annual report for the Assembly on the follow-up to and implementation of the outcomes of the Monterrey and Doha conferences, as well as other outputs (see www.un.org/esa/ffd).

IV. Modalities of related intergovernmental processes

A. Follow-up to the Conference on the World Financial and Economic Crisis and Its Impact on Development

27. By its resolution 63/305, the General Assembly established an ad hoc open-ended working group to follow up on the issues contained in the Outcome of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development. Following a series of consultations with Member States on procedural issues, the working group held, from April to June 2010, six substantive meetings on the following themes: (a) the impact of the crisis on debt sustainability of developing countries; (b) mobilization of additional resources to mitigate the impact of the crisis on the most vulnerable; (c) access to credit and concessionary finance, fiscal space for counter-cyclical policies and the current global reserve system; (d) improved financial regulation and supervision; (e) reform of the international financial and economic system, including voice and participation of developing countries in the Bretton Woods institutions; and (f) strengthening the role of the United Nations in global economic governance.[5] The format of the meetings included presentations by experts from international organizations, Governments, academia and the private sector. Those experts provided information on the economic outlook, evolving policies and institutional changes, and their presentations were followed by interactive discussions. Outcomes of those meetings were summarized in a progress report of the working group to the General Assembly at its sixty-fourth session (A/64/884).

28. The General Assembly, in its resolution 65/313, decided to explore further, at its sixty-sixth session, the most efficient modalities for the intergovernmental follow-up process of the Conference and in that regard requested the President of the Assembly to hold open, inclusive, timely and transparent consultations with all Member States. The President of the Assembly and the Secretary-General jointly convened a high-level thematic debate of the Assembly on the "State of the world economy and finance in 2012", held in New York, on 17 and 18 May 2012.[6] The discussions held at that event served as a contribution to the follow-up process mandated at the 2009 Conference.

29. Pursuant to paragraph 56 of the outcome document of the Conference, the Economic and Social Council held informal consultations on how to most effectively implement the mandates assigned to it regarding the response by the

[5] The details of all six meetings are available on the financing for development website (www.un.org/esa/ffd/events/2010GAWGFC/index.htm).

[6] A summary of the high-level thematic debate by the President of the General Assembly is available from www.un.org/en/ga/president/66/Issues/worldfinancialcrisis/wfec.shtml.

United Nations to the global financial and economic crisis. The outcome of those deliberations was provided in the summary by the President of the Council (E/2009/119).

30. In its resolution 2011/39, the Council recommended, inter alia, that the possible establishment of an ad hoc panel of experts on the global economic and financial crisis and its impact on development should be considered further by the General Assembly. However, the Assembly has not yet resumed its discussions on the establishment of such a panel.

B. High-level policy dialogue with the international financial and trade institutions on current developments in the global economy

31. The state of the global economy has serious repercussions on resource mobilization through various channels, in particular in developing countries. The high-level segment of the annual substantive sessions of the Economic and Social Council features a high-level policy dialogue with the heads of multilateral financial and trade institutions of the United Nations system, including the Bretton Woods institutions, on important developments in the global economy and international economic cooperation. In terms of the analytical underpinning of that dialogue, the annual flagship publication, entitled *World Economic Situation and Prospects*, jointly prepared by the Department of Economic and Social Affairs, UNCTAD and the five United Nations regional commissions, serves as a major point of reference.

C. Development Cooperation Forum

32. The 2005 World Summit mandated that the Economic and Social Council hold a biennial high-level development cooperation forum to review trends in international development cooperation, including strategies, policies and financing, promote greater coherence among the development activities of different development partners and strengthen the links between the normative and operational work of the United Nations (General Assembly resolution 60/1). More detailed terms of reference for the Development Cooperation Forum were outlined in General Assembly resolution 61/16 on strengthening of the Council.

33. The Doha Declaration on Financing for Development re-emphasized the importance of the Development Cooperation Forum as the focal point within the United Nations system for holistic consideration of issues related to international development cooperation and recognized the efforts of the forum to improve the quality of official development assistance (ODA) and to increase its development impact. At the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals in 2010, Member States encouraged the continued efforts in the Development Cooperation Forum, as the focal point within the United Nations system, to carry out a holistic consideration of issues related to international development cooperation, with the participation of all stakeholders (General Assembly resolution 65/1).

34. To date, three meetings of the Development Cooperation Forum have been held in 2008, 2010 and 2012. They brought together key development cooperation actors, including Member States, multilateral organizations and players from the

United Nations system, as well as civil society organizations, parliamentarians, local governments and the private sector. In order to promote discussions among the various stakeholders, the Forum featured different modalities and formats, such as interactive debates, special policy dialogues and thematic and regional workshops (see www.un.org/en/ecosoc/newfunct/2012dcf0.shtml). In 2008 and 2010, most topics addressed by the Forum were focused on trends, commitments and policies related to ODA, for example aid policy coherence, aid commitments and aid allocation, aid effectiveness, mutual accountability and country-level capacities for coordinating and managing aid. Some topics, however, went beyond the strict meaning of ODA and included, for example South-South, triangular and decentralized cooperation.

35. In 2012, the programme of the Development Cooperation Forum became much more extensive as a result of multiple events having been held in parallel, as well as extended hours. Some topics addressed at that event went beyond ODA and covered other thematic areas of the Monterrey Consensus and the Doha Declaration, resulting in overlaps with the financing for development events. For instance, one of the policy dialogues of the 2012 meeting of the Forum was focused on the use of development cooperation to leverage other sources of development financing, such as mobilizing domestic resources, increasing foreign direct investment and promoting international trade as an engine for development. During the same meeting, a round table addressed the theme of how development cooperation could leverage private flows and philanthropy for the realization of national and global development objectives. There was also a side event on the role of microcredit, microfinance and inclusive financial sectors in achieving the Millennium Development Goals, especially with regard to gender equality and the empowerment of women.

V. Options for strengthening financing for development intergovernmental follow-up

36. In the present section, three options for strengthening the modalities of the financing for development process are identified. The first option is to continue the incremental evolution that has taken place so far. The second and third options would represent more significant changes to the current follow-up mechanisms, either through the establishment of an intergovernmental body or through measures to integrate the intergovernmental process on sustainable development finance with financing for development. The three different scenarios are outlined and assessed below.

A. Option 1: continued incremental evolution of existing modalities

37. As noted in section III, the financing for development follow-up process has undergone an incremental evolution during the past decade as Member States made efforts to strengthen it and adapt it to changing circumstances and challenges. Thus, in the follow-up to the Doha Conference, incremental changes were introduced into the financing for development follow-up process. For example, the format and timing of the annual special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD were updated. Greater

prominence was given to the agenda item on financing for development in the work of the annual substantive session of the Council. The substantive discussions at both the High-level Dialogue on Financing for Development and the special high-level meeting of the Council with the Bretton Woods institutions, WTO and UNCTAD kept pace with new challenges and developments. For instance, the 2012 special high-level meeting of the Council featured a thematic dialogue on the issue of financing sustainable development in the run-up to the United Nations Conference on Sustainable Development (Rio+20), held in Rio de Janeiro, Brazil, from 20 to 22 June 2012.

38. Moreover, recent mandates emanating from the General Assembly and the Economic and Social Council have acknowledged the need to review the modalities of the financing for development process with a view to strengthening it (Assembly resolutions 65/145, para. 30; and 66/191, para. 32, and Council resolution 2012/31, para. 18). In its resolution 2012/31, the Council addressed specific issues and areas within the institutional follow-up process that could be strengthened, including further improving the agenda and format of the special high-level meeting of the Council with the Bretton Woods institutions, WTO and UNCTAD, further intensifying the engagement of all stakeholders in financing for development and appealing to Member States to consider contributing generously to the Trust Fund for the follow-up to the International Conference on Financing for Development.

39. In follow-up, the President of the Economic and Social Council proposed to establish a joint working group of the Council and governing bodies of the major institutional stakeholders of the financing for development process. The group would explore the most effective mechanism to implement Council resolution 2012/31. In that context, it would initiate consultations on the preparations for the 2013 special high-level meeting of the Council with the Bretton Woods institutions, WTO and UNCTAD and explore concrete measures to strengthen coherence and coordination between the financing for development and the Rio+20 follow-up processes.

Elements for assessment

40. It remains to be seen, however, whether further incremental evolution along the lines undertaken and suggested above would suffice to reverse the sharp loss in political momentum witnessed during the past few years, which has been evident most notably in the instance of the High-level Dialogue on Financing for Development. There has been a clear decline over the years in the level of participation in those meetings by both Member States and institutional stakeholders. Although 33 ministers and vice-ministers participated in the 2003 High-level Dialogue, participation fell in 2005 and 2007 and plummeted in 2010 and 2011. A total of three ministers and one vice-minister attended the most recent high-level dialogue in December 2011. Similarly, there has also been a significant decline in seniority among the representatives of institutional stakeholders participating in the high-level dialogues. The 2003 High-level Dialogue was attended by the Managing Director of IMF, the President of the World Bank, the Administrator of UNDP and the Secretary-General of UNCTAD. Only one of those officials participated in the 2005 High-level Dialogue and none of them since then. Another indication of loss of interest in that meeting has been the sharp drop in the number of multi-stakeholder round tables: three in 2010 and 2011 compared with six in 2005 and 2007 and as many as eight in the first such meeting, in 2003.

41. The revisions of the format and timing of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD, implemented in 2009 with a view to improving participation, resulted in the increased presence of executive directors from the Bretton Woods institutions. The levels however are still lower than those witnessed during the mid-2000s when considerable political momentum was attached to the financing for development follow-up process. The negative implication of these revisions seems to be a reduction in the level of ministerial participation compared with the time when the meeting was held back-to-back with the spring meetings of the Bretton Woods institutions in April.

42. A noteworthy development pertaining to both the High-level Dialogues and the special high-level meetings was the abandonment of the practice of holding informal hearings with representatives of civil society and the business sector, which used to precede such meetings. In the case of the High-level Dialogues, those hearings continued until 2007 and, in the case of the special high-level meetings, they ended after 2004. The reason for the discontinuation of those meetings was not so much a result of a lack of interest on the part of non-institutional stakeholders, but rather the increasingly sparse attendance and participation by delegations.

43. Another indication of declining political momentum has been the absence of new multi-stakeholder consultations on financing for development and in general the declining visibility of non-institutional stakeholders in the process. Multi-stakeholder consultations can serve to enhance the substantive profile of the financing for development process, add meaningful contributions to the policy dialogue, and promote consensus around policy reforms. While there were several tracks of multi-stakeholder consultations between 2003 and 2007, the only one currently active is on external debt of developing countries (organized primarily by the Financing for Development Office). Given that such consultations have been financed by voluntary contributions of Member States and other stakeholders, the depletion of the financing for development trust fund may be related to the loss of political momentum evident in the process in recent years.

44. In looking ahead, continued incremental evolution of the financing for development process may be inadequate to address the significant decline in participation across all categories of stakeholders. Moreover, the option does not take into account new and parallel mandates that are emerging, such as on the financing of sustainable development, which could challenge the coherence of financing for development with related United Nations processes. Furthermore, the measures taken and proposed under this option have not kept pace with the progress in the modalities of existing related processes, such as the Development Cooperation Forum.

B. Option 2: creation of a new intergovernmental body

45. Since the adoption of the Monterrey Consensus and the Doha Declaration, concrete proposals to establish a new intergovernmental body to strengthen the financing for development follow-up have been put forward by a range of financing for development stakeholders.

Proposals by the Secretary-General

46. The Secretary-General, in his reports on the implementation of the Monterrey Consensus and the Doha Declaration, has put forward proposals to establish a new intergovernmental mechanism that could strengthen financing for development follow-up (see A/58/216, A/59/2005, A/60/289, A/62/217, A/63/179 and A/64/322). For example, in his first report to the General Assembly after the Monterrey Conference, the Secretary-General suggested that, in building on the experience of the Bureau of the Preparatory Committee for the International Conference on Financing for Development, the Economic and Social Council would benefit from selecting an appropriately sized and duly representative group of its Member States, which could undertake substantive face-to-face consultations, when necessary, with colleagues in the other institutions. He also suggested that the Council may wish to consider an appropriate mechanism, such as a geographically balanced committee or expanded bureau or similar arrangement, to assist it in effectively preparing for the annual spring meeting and in dealing with related aspects of the follow-up to the International Conference on Financing for Development falling within the Council's purview (A/58/216, para. 182).

47. In his note on coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and the Doha Declaration, the Secretary-General provided background information and suggested points for reflection for the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD, held in New York on 27 April 2009, under the theme "Strengthening the intergovernmental inclusive process to carry out the financing for development follow-up" (E/2009/48). The Secretary-General reviewed the range of proposals made thus far and suggested effectively combining certain features, criteria and objectives. More specifically, he proposed the introduction of a representative, multi-stakeholder financing for development committee, subsidiary either to the Council or to the General Assembly. The committee would have a total of 36 members. It would comprise 18 members drawn from United Nations delegations, 6 representatives from the World Bank Executive Board and 6 from the IMF Executive Board, 1 each from WTO and UNCTAD, 1 from other relevant United Nations agencies, including the regional commissions, 1 from other intergovernmental organizations and 1 each from the civil society and business communities. The committee would meet twice a year and would replace both the special high-level meetings of the Council with the international financial and trade institutions and the biennial high-level dialogues of the General Assembly (E/2009/48, paras. 58-60).

Proposal by the Group of 77 and China

48. In its ministerial declaration of 23 September 2011, the Group of 77 and China stressed the importance of establishing an appropriate follow-up mechanism within the United Nations system to bridge the gap between policymaking and implementation of commitments, in particular through the establishment of a financing for development commission as a subsidiary body of the Economic and Social Council (see www.g77.org/doc/Declaration2011.htm). It highlighted that it was also important for Member States to support efforts to strengthen and further advance the financing for development process, which would help enhance the coherence and consistency of the financial and trading systems to ensure that they support the implementation of the internationally agreed development goals.

Proposal by the Rio Group

49. The Rio Group put forward a concrete proposal on the shape and modalities such an intergovernmental body could take in the context of the review sessions undertaken in preparation for the Doha Conference (see www.un.org/esa/ffd/doha/chapter3/G-Rio_proposal.pdf). Its proposal called for a forum on financing for development, which would meet twice a year before the semi-annual meetings of the Bretton Woods institutions and would be followed by a results-oriented yearly discussion in the General Assembly. The main criteria guiding the design of the new mechanism were that it should be integrated, periodic, multisectoral, dynamic and interactive, democratic and balanced and that it should make rational use of resources. The forum itself would be composed of Member States (18, 36 or 54); executive directors from the boards of the World Bank and IMF (5 from each); the president of the General Council of WTO; the president of the UNCTAD Trade and Development Board; representatives of other relevant intergovernmental organizations (2); representatives of the United Nations regional commissions (5); and representatives from civil society organizations (1) and business sector entities (1).

50. According to the proposal, the forum on financing for development would be a subsidiary body of the General Assembly that would review and monitor the commitments on financing for development reached at the Monterrey and Doha conferences, identifying obstacles, challenges and emerging issues and focusing its deliberations on recommendations for action that would serve as the basis for a resolution to be adopted subsequently by the Assembly.

Proposals by civil society

51. Numerous proposals were put forward by civil society organizations on the creation of an intergovernmental committee to strengthen the intergovernmental follow-up process. The "Doha non-governmental organizations group" identified commonalities and put forward a proposal on behalf of 52 civil society organizations. The group recommended the establishment of a new intergovernmental follow-up mechanism that: (a) should meet periodically and frequently; (b) should produce a negotiated outcome; (c) should be at the highest level, and in particular should include high-level officials covering key economic portfolios; (d) should accord a space for civil society as had been the case from the beginning of the financing for development process; and (e) should provide the necessary legitimacy, political guidance and leadership on concrete follow-up matters (see www.un.org/esa/ffd/doha/hearings/civilsociety/KeyRecommendations.pdf).

Proposal by the business sector

52. A new central intergovernmental mechanism could also interact and coordinate with regional and country-level bodies on financing for development, as proposed by the business sector. It could complement the proposal made by the Business Sector Steering Committee in its statement at the Doha Conference, which highlighted the need for a defined long-term financing for development follow-up process with results-oriented, operational technical exchanges on a decentralized level, involving experts from the public and private sectors, aimed at developing road maps, tools and performance benchmarks. Moreover, global, regional and country financing for development meetings could be organized by the Financing for Development Office and other financing for development multi-stakeholders, including the private sector.

Pilot financing for development countries and regions could be designated. A key focus would need to be the development and scaling-up of effective mechanisms, programmes, policies and tools that could leverage the limited official resources available, including those of development agencies, by harnessing resources from the private sector and foundations. The process would include identification and sharing of challenges and impediments, success stories and failures, possible solutions and tools for advancing aid effectiveness (see www.un.org/esa/ffd/doha/businessector/doha_statement.pdf). A centralized intergovernmental mechanism could help coordinate such activities at all levels.

Elements for assessment

53. The advantages of the creation of a new intergovernmental mechanism to strengthen the financing for development follow-up process are manifold. Rather than limiting the process essentially to one annual meeting of the Economic and Social Council and one biennial high-level meeting in the General Assembly as noted in section IV, there would be a smaller dedicated body that would help ensure consistent follow-up, monitoring and ultimately implementation of the Monterrey Consensus and Doha Declaration, as well as their related outcomes. Discussions in such a body could be of a more interactive nature than the formal exchange of official country and institutional positions, which takes place at current follow-up events. The inclusion of all relevant stakeholders in such a body would enable it to consider a wide range of viewpoints. The body could co-exist with the formal process currently in place and would carry the momentum built at the special high-level meetings of the Council and the high-level dialogues of the Assembly into further discussions and concrete follow-up actions. Moreover, such a body would help with the preparations for those meetings in terms of organizational and substantive matters, creating a link for producing a mutually reinforcing cycle between the Assembly and the Council meetings on financing for development and the work of the proposed intergovernmental body itself. To ensure maximum effectiveness of such an intergovernmental body, a first important step would be to draw upon lessons learned and best practices from other functional commissions. That step could be accomplished through the preparation of a comparative report by the Secretariat. In order to estimate resource requirements, a specific draft proposal would need to be submitted to the Assembly or the Council to enable the Secretariat to prepare a statement on programme budget implications.

54. The disadvantage of creating such an intergovernmental body is related to the lack of political will among certain Member States to create yet another intergovernmental mechanism in view of the already complex array of commissions, committees and other subsidiary bodies reporting to the General Assembly and the Economic and Social Council. The assessment provided in the present report shows that proposals for such a mechanism date back to 2003, yet nothing has materialized owing to the lack of political consensus and other institutional dynamics.

C. Option 3: ensuring coordination and coherence with the intergovernmental process on sustainable development financing

55. The Rio+20 Conference resulted in renewed political commitment to sustainable development. The transition to a green economy is an important tool for achieving sustainable development and involves major structural and technological changes. Moving towards the goal of sustainable development requires the mobilization of significant financial resources, as was pointed out at the discussion on financing of sustainable development at the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD, held in New York on 12 and 13 March 2012 (see A/67/81-E/2012/62).

56. At the Rio+20 Conference, it was recognized that it was crucial to enhance financial support from all sources for sustainable development for all countries, in particular developing countries. The need for significant mobilization of resources from a variety of sources was also recognized as was the effective use of financing, in order to give strong support to developing countries in their efforts to promote sustainable development. In the outcome document of that Conference, entitled "The future we want" (General Assembly resolution 66/288, annex), global leaders agreed to establish an intergovernmental process under the auspices of the General Assembly, with technical support from the United Nations system and in open and broad consultation with relevant international and regional financial institutions and other relevant stakeholders, with the objective to assess financing needs, consider the effectiveness, consistency and synergies of existing instruments and frameworks and evaluate additional initiatives, with a view to preparing a report proposing options on an effective sustainable development financing strategy to facilitate the mobilization of resources and their effective use in achieving sustainable development objectives. In terms of institutional arrangements, it ..as decided that an intergovernmental committee, comprising 30 experts nominated by regional groups, with equitable geographical representation, would implement the process and conclude its work by 2014. The Assembly was requested to consider the report of the intergovernmental committee and take appropriate action.

Elements for assessment

57. Given the magnitude of the financing requirements needed for achieving transition to a sustainable economy, financial resources need to be raised from the entire range of public, private and mixed sources and through multiple channels and instruments. The financing for development process provides a useful policy framework to identify and assess financing needs for sustainable development across the entire range of funding sources. The process involves six policy areas, namely mobilizing domestic financial resources, mobilizing international financial resources, trade, financial and technical cooperation, external debt and systemic issues.

58. Mobilizing and effectively using resources for sustainable development in accordance with national priorities requires actions in each of the policy areas of the Monterrey process. Raising and redirecting public resources, together with relevant public policies, including on taxation, subsidies and procurement, will be crucial to increase investments in sustainable development. In addition, an important strategic function of public funding is to leverage private sources and to kick-start green economy investments. Moreover, the private sector has indeed started to provide

resources for the green economy transition through domestic and cross-border investment. For instance, a certain proportion of foreign direct investment in developing countries is targeted towards sustainable economy investments. Sustainable trade and mobilization of resources for sustainable development within policies relating to external debt, such as through debt relief and debt-for-environment swaps, have received increased attention. ODA has been critical in addressing sustainable development challenges in developing countries. In addition, innovative financing mechanisms[7] and facilities supporting the implementation of multilateral environmental policies and agreements have been instrumental in providing funds for sustainable development purposes. These include major mechanisms such as carbon emissions trading under the clean development mechanism of the Kyoto Protocol to the United Nations Framework Convention on Climate Change, the Global Environment Facility and Climate Investment Funds. Moreover, a key challenge is to create the necessary conditions at the level of the international economic and financial system to allocate and mobilize funds for sustainable development.

59. The Economic and Social Council, in its resolution 2012/31, recalled paragraphs 255 to 257 of the outcome document of the Rio+20 Conference, and in that regard stressed the need to reinforce coherence and coordination and to avoid duplication of effort with regard to the financing for development follow-up process. Based on that guidance and taking into account the suitability of the well-established Monterrey framework, it is therefore an option to strengthen the financing for development follow-up process by integrating it with the intergovernmental process on sustainable development financing and the related intergovernmental committee, which was mandated by the Rio+20 outcome document. In the longer term, such an approach would also facilitate the exploration of synergies and linkages with the processes on defining sustainable development goals and the United Nations development agenda beyond 2015.

60. On the other hand, such an option might raise concerns over too strong a focus of the financing for development process on sustainable development, at the expense of other aspects that are not directly linked with the sustainable development agenda. These concerns, however, could be taken into account in the discussions on the specific institutional and procedural arrangements.

VI. Conclusions

61. **A continued incremental evolution of existing modalities of the financing for development follow-up process has been considered as one of the options to strengthen financing for development follow-up. It is unlikely, however, to succeed in reversing the sharp loss of political momentum witnessed during the last decade, as demonstrated by declining participation in the major intergovernmental meetings of the financing for development process, such as the High-level Dialogue and the special high-level meeting of the Economic and Social Council, by both Member States and institutional stakeholders.**

[7] See, for instance, the Economic and Social Council panel discussion on innovative mechanisms of financing for development, held on 12 July 2012 (see www.un.org/esa/ffd/ecosoc/2012/SpecialEvent_IM.htm).

62. **Most concrete proposals to establish a new intergovernmental body to strengthen financing for development follow-up suggest a dynamic, efficient multi-stakeholder mechanism, composed of a limited, but duly representative membership that could effectively coordinate the monitoring and implementation of the Monterrey Consensus and the Doha Declaration. However, owing to a lack of political consensus, there has been no action on those proposals, despite multiple initiatives by a wide range of stakeholders over the last decade.**

63. **The ongoing financing for development process provides a comprehensive framework for discussions on the financing of all aspects of development. In the outcome document of the United Nations Conference on Sustainable Development, Member States agreed that a separate discussion was needed on options for an effective sustainable development financing strategy to facilitate the mobilization of resources and their effective use in achieving sustainable development objectives. As an integral part of its work, the intergovernmental expert committee to be established for that purpose may wish to consider how the options it may propose regarding sustainable development financing could contribute to achieving the stated intent of Member States: to explore detailed options regarding possible arrangements for strengthening the financing for development follow-up process (General Assembly resolution 65/145, para. 30), and to reinforce coherence and coordination and avoid duplication of effort with regard to the financing for development follow-up process (Economic and Social Council resolution 2012/31, para. 4).**

64. **Some modalities of related processes may complement the options to strengthen the financing for development process discussed in the present report, such as different ways of involving expert advice in the intergovernmental process, increased use of ad hoc and thematic formats, complementing the intergovernmental process by United Nations system-wide coordination to ensure coherent and coordinated delivery and tracking progress against a set of concrete indicators, for instance through analytical reports.**